

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF ALBANY GAS UTILITY)
COMPANY FOR A CERTIFICATE OF)
PUBLIC CONVENIENCE AND NECESSITY) CASE NO. 9329
FOR THE CITY OF ALBANY, CLINTON)
COUNTY, KENTUCKY)

O R D E R

IT IS ORDERED that Albany Gas Utility Company ("Albany") shall file an original and seven copies of the following information with this Commission by July 3, 1985, or within 2 weeks of the date of this Order with a copy to all parties of record. In the event the requested information is not available, Albany shall state explicitly why the information cannot be furnished. Include within the response to each item the witness who will be available at the public hearing to testify on that particular issue. If neither the response nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. Provide a detailed explanation as to how the rate of return on rate base was determined, including supporting calculations, and why it is a fair and reasonable rate of return.

2. Provide a detailed explanation and calculation of Albany's rate base, including working capital:

- a. For the fifth year of operations.
- b. For normalized annual operations.
- c. For the first year of operations.

3. Please provide a detailed pro forma balance sheet based on the best single estimate of actual first-year operations. This balance sheet should reflect the effects of projected first-year profit and loss as well as include information such as year-end accumulated depreciation, all prepaids, all construction work in progress, all customer advances, all tax credits, all accounts payable, all accounts receivable, retained earnings, stockholder's equity, etc. The balance sheet should be classified according to the uniform chart of accounts for class C natural gas utilities and should include the assumptions, market studies, projections, and calculations (appropriately indexed) relied upon to arrive at balance sheet amounts.

4. Please provide monthly income statements reflecting the best estimates of the first year of operation. These monthly statements should conform to the Uniform System of Accounts for Class C gas utilities and should include the assumptions, market studies, projections, and calculations (appropriately indexed) relied upon to determine these figures.

5. Please provide a monthly cash flow analysis reflecting the best estimate of the first year of actual operations. This analysis should begin with net income from operations, add back expenses not requiring the outlay of cash (depreciation, increase in payables, amortization, etc.); less unreceived revenues

(increase in accounts receivable); plus other sources of cash (stock issues, customer advances, bond issues, etc.); less other uses of cash (construction, prepaids, issue costs, etc.).

6. Provide a pro forma balance sheet as described earlier for each of the second, third, fourth and fifth years of operations. Please include the assumptions, market studies, projections, and calculations (appropriately indexed) relied upon to arrive at these figures.

7. Albany provided pro forma income statements for the initial five years of operations. However, the statements were not classified according to the Uniform System of Accounts for Class C gas utilities and lacked substantially all supporting calculations, explanations and market studies for most line items. Please provide pro forma income statements reflecting the single best determination of the results of operations for each of the initial five years according to the Uniform System of Accounts for Class C gas utilities, providing all supporting calculations, assumptions, facts and market studies appropriately indexed.

8. Provide in detail a thorough explanation of all debt financing available for the construction of, or the operation of, the utility. This explanation should provide all facts necessary for a complete understanding of the debt and not limited to, but including, the following:

- a. The dollar amount of each proposed indebtedness, whether notes, bonds, convertible bonds, mortgages, or deeds of trust.

- b. The nature and extent of all claims against assets or revenues.
- c. The name and address of the holder.
- d. An amortization schedule showing interest payments, principal payments, and principal balance for the life of the indebtedness.
- e. The interest rate, and how the interest rate is determined.
- f. All special requirements, such as sinking funds, minimum working capital balance, minimum fixed charge ratio, and minimum cash balance, etc.
- g. All conversion features and terms of conversion.
- h. All provisions, including penalties, for early retirement.
- i. All issue costs. Or, in lieu of the above, provide copies of all debt instruments which include all pertinent items enumerated above.

9. Provide in detail a thorough explanation of all equity financing available for the construction of, or operation of, the utility. This explanation should include all facts necessary for a complete understanding of the equity financing and not limited to, but including, the following:

- a. The number of shares authorized.
- b. The par or stated value.
- c. The dollar amount authorized.
- d. The dollar amount of the proposed issue.

- e. The issue cost.
- f. The names and addresses of each stockholder if the issue is other than a general market issue.
- g. The dollar amount and number of shares each stockholder in "f" above holds.
- h. The amount and terms of all subscribed stock.
- i. All terms exceptional to participating common stock.
Or, in lieu of the above, provide documentation which includes all pertinent items enumerated above.

10. Provide a detailed explanation of all efforts to obtain debt financing at more favorable rates and terms. For each attempt, this explanation should include at a minimum the items enumerated in Question No. 8.

11. Provide the terms of all agreements with suppliers in regards to trade payables or trade prepaids.

12. Provide a complete listing of all assets (other than cash) exchanged for stock or indebtedness of the utility. This listing should include the individual's name exchanging the asset, the original invoices or appraisal documents supporting the cost of the asset first devoted to utility use, the date the asset was purchased, the asset's useful life, and the exchange value.

13. Provide a depreciation schedule for the best estimate of actual operations for the first year. Included should be the approximate date of acquisition (or construction), the date when the asset will be placed in use, the approximate cost of the asset, the useful life, the depreciation method, and the first year's depreciation.

14. Does Albany intend to utilize subchapter "S" tax status?

15. Please provide details of sampling or market study which supports:

- a. The commercial consumption rate.
- b. The commercial conversion to gas.
- c. The residential average consumption.
- d. The residential conversion rate.
- e. The commercial customer market potential.
- f. The residential customer potential.

16. Please provide for the first five years of operations the yearly amount of in-house labor costs expended for construction of utility plant. Include the total estimated labor expense and the percentage of labor to be used for utility plant construction.

17. Please provide for the first five years of operations all anticipated related party transactions which may be material:

- a. The nature of the relationship.
- b. A description of the transaction.
- c. The dollar amount.
- d. The terms and manner of settlement.

18. Identify wells in the area from which supplies are currently contracted, or anticipated to be contracted for within the next 12 months:

- a. Ownership.
- b. Well name.
- c. Well number.

19. Additional information on the quality of the gas:

- a. BTU content.
- b. Stripped before purchased by Albany?
- c. Information on the latest test run on gas in this area, preferably on wells identified in Question 1.

20. When will construction be complete (not including service connections beyond December, 1985)?

21. Under what and whose authority was construction begun on this system?

22. Regarding proposed management:

- a. Why can't the secretary and customer relations duties be combined into one job?
- b. Why can't construction manager and "construction personnel" be one job?
- c. Why can't "field personnel" and meter reader be one job?

Done at Frankfort, Kentucky, this 21st day of June, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Idman
For the Commission

ATTEST:

Secretary